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TIME Magazine features California energy crisis

California's energy situation has made the cover of TIME Magazine. In a story headlined "The New Energy Crunch," TIME says that California's woes are part of "a nationwide winter of energy discontent...."

The magazine said that "blackouts were the latest and most painful phase of a statewide energy crisis that has been years in the making and continues to worsen...." A companion article says that similar pains could be in store for other states that are in the process of planning their own deregulation programs.

Bush to extend orders ensuring California gets power

President Bush will extend for at least two weeks two federal orders requiring power and natural gas companies to keep supplying California's cash-strapped utilities, administration officials said Tuesday.

It was not clear exactly how long Bush would extend the federal orders that require electricity generating companies to continue shipping power into California and for natural gas suppliers to sell fuel to Pacific Gas and Electric.

Meanwhile, there where these developments Tuesday in the California energy dilemma:

Managers of the state's electricity system scrounged the markets for power amid the threat of renewed rolling blackouts. The power grid was running at a Stage 3 alert with less than 1.5 percent electricity reserves for an eighth straight day.

The state's utilities asked the Federal Energy Regulatory Commission to create a special agency to investigate wholesale electricity prices in the California market and give it authority to punish those found to be price gouging.

Power generating companies opposed the proposal, saying FERC and the Justice Department already have authority to investigate abuses.

California power grid managers told FERC that the state's utilities paid \$30 billion for power last year, more than four times the wholesale power costs in 1999.

At the same time, there is growing pressure within California's congressional delegation, including a number of Republicans, for some federal action to dampen wholesale power costs in California where power has spiked to more than \$600 a megawatt hour, five times higher than peaks last summer.

Electricity auction

As California prepares to solicit bids starting today in an unprecedented auction to buy electricity, a representative of power generators said Monday that the state's entry into the market may be having the unintended effect of driving up prices.

Attempting to bring the energy crisis under control, Gov. Gray Davis ordered the state Department of Water Resources to begin accepting bids via the Internet starting today at 9 a.m. and to keep the auction open for 24 hours.

Energy costs devour funds

California's electric crisis will gobble up a \$400 million state fund within a week, power officials said Monday, as efforts continued at the Capitol to come up with longer term routes out of a supply and financial morass. With state electricity costs mounting quickly, fears also grew Monday that another round of blackouts could hit as early as this morning, and grid operators pleaded with people to steeply reduce power consumption from 7 a.m. to 11 a.m.

Following is a chart to show how much DWR has spent each day on power for CALISO. The enabling legislation (SB 7X) was chaptered on 1/19/01, so the authority to spend money prior to that date is unclear.

Date	MWH	Total	Average \$/MWH
12/5/00	8,000	\$5,600,000	\$700
12/6/00	15,000	\$15,000,000	\$1,000
1/11/01	12,421	\$4,681,445	\$377
1/12/01	9,445	\$2,920,375	\$309
1/13/01	1,065	\$274,000	\$257
1/14/01	1,717	\$433,025	\$252
1/15/01	5,825	\$1,633,500	\$280
1/16/01	2,221	\$1,191,800	\$537
1/17/01	15,190	\$8,698,000	\$573
1/18/01	26,056	\$11,665,596	\$448
1/19/01	54,580	\$19,699,725	\$361
1/20/01	85,296	\$21,257,175	\$249
1/21/01	79,000	\$20,483,249	\$259

Calif. Averts Blackouts, Emergency Supplies Ordered

California's power woes eased slightly on Tuesday thanks to an infusion of electricity from Canada and a Bush administration decision to extend emergency orders requiring firms to keep pumping power to the state's battered utilities.

That decision marked a glimmer of good news for California, where public confidence has been battered by an energy crisis that top business leaders warned Tuesday could send the state's \$1.2 trillion per year economy into a "serious reversal."

The emergency orders out of Washington provide California and its beleaguered utilities with valuable breathing room as Gov. Gray Davis and state legislators struggle to lock in lower priced, long-term wholesale energy contracts.

Nevertheless, a top U.S. energy official warned on Tuesday that the state could not rely on the Bush administration to take the lead in solving the crisis.

Power crisis begins to have business impact

The power crisis, now in its second week, is beginning to take its toll as economic effects are felt around the state.

On Tuesday, a group of prominent business leaders urged California's government to take action to prevent the worsening electricity crisis from sending the state's \$1.2 trillion a year economy into a "serious reversal."

"Our economy, which has rebounded strongly over the past five years, now faces a serious reversal," the business leaders said in an open letter to Gov. Gray Davis and the legislature, printed as an advertisement in the Los Angeles Times and the Sacramento Bee.

Those fears also appeared to be gaining ground among the public at large as a new poll released on Tuesday showed that 49 percent of Californians felt the state is "seriously off on the wrong track," compared to 43 percent who say it is moving in the right direction.

Northern California town faces spike in electricity rates

SUSANVILLE, Calif. -- Folks here call it "the bombshell," the official warning that their electric bills could soar another 162 percent, making them triple the size of most of California and among the highest in the country.

"It's very, very scary. It's horrible. They are telling us we'll need to make up \$17 million to \$19 million. We are not a wealthy community. This is going to have a devastating effect on a large portion of our population," said local school Superintendent Mark Evans.

Such a rate spike--a final decision likely will be made Feb. 6--would drain perhaps a third of the disposable income in the town of 16,600, according to the utility directors' own estimate.

The plight of this scenic high-plains town 300 miles northeast of San Francisco is clear: Its municipal utility has no power plants and is forced to buy wholesale electricity at high prices wherever it can get it.

The Lassen Municipal Utility District--known as "el-Mud" to some 10,000 Susanville customers--passed up a chance earlier this year to buy power at favorable rates under long-term contracts.

The district's directors' feared binding the utility for years to come if the wholesale market dropped.

"LMUD is the poster child of all that is wrong, and went wrong" with California's deregulation experiment, Frank Cady, the district's general counsel, wrote Gov. Gray Davis. "LMUD

and the good citizens of Lassen County have been betrayed beyond biblical proportions."

California Power generators begin to report profits

Dynegy Inc. became the latest power generator to report increased earnings in the wake of California's energy crisis.

The Houston-based company, one of the major power generators in California, said it earned \$105.9 million, or 32 cents per share, in the three months ended Dec. 31, up 135 percent from the \$45.1 million, or 19 cents a share, it earned in the same quarter a year earlier.

The company downplayed its California sales, saying cold-weather demand in northern states was the main reason for its increased profits.

Last week, Duke Energy reported that it more than doubled its revenues in the fourth quarter and topped Wall Street's earnings expectations.

The Charlotte, N.C.-based company reported fourth-quarter net income of \$284 million, or 38 cents per share, a considerable improvement over last year's fourth quarter, when it had a net loss of \$189 million.

Duke benefited handsomely from the energy price spike because it owns four California power plants with a generating capacity of 3,300 megawatts, enough to supply more than 3 million homes. The company didn't break down its profits by state.

What the Press is Saying

Power Trade-Off With Potential

The state Assembly has taken the lead in crafting painful solutions to California's energy crisis, and it is coming up with some resourceful plans. But the crisis is not the state's alone to solve. The federal government, which controls the wholesale electricity market, must help as well. Keeping California's lights on and airports, manufacturing plants and water pumps operating is a critical issue for the national economy.

The Bush administration's extension Tuesday of the Clinton-era orders directing power and gas suppliers to sell to California's utilities was a wise first move. --*LA Times*, 1/24/01

Lacking any comprehensive solution articulated by the governor, the state Assembly deserves credit for handling many of the dirty details necessary in working to resolve California's energy crisis. Proposals advanced by the Assembly go several steps beyond the one increment the governor has advanced.

The proposal advanced by Assembly Speaker Robert Hertzberg also identifies a way to restore solvency to the utilities and addresses billions of dollars in previous energy costs that the utilities want consumers to swallow. The Assembly's work brings much-needed focus and substance to the debate, which now should focus on the way financial realities are being constrained by politics.

The governor's desire to disguise today's high cost of power means he has mandated that costs be shifted into the future; given political reality, Hertzberg's house has been left with a package that inevitably would do that as well. --*Sacramento Bee*, 1/24/01